

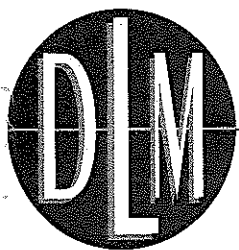
**CITY OF SPRINGFIELD, MISSOURI**  
**POLICE OFFICERS' AND FIRE FIGHTERS'**  
**RETIREMENT FUND**

**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTAL INFORMATION**

**June 30, 2008**

## TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT .....	3
MANAGEMENT'S DISCUSSION AND ANALYSIS .....	6
FINANCIAL INFORMATION	
Statement of Plan Net Assets .....	12
Statement of Changes in Plan Net Assets .....	13
Notes to Financial Statements .....	14
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress .....	22
Schedule of Employer Contributions .....	23
Actuarial Valuation .....	24
OTHER FINANCIAL INFORMATION	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	26



DAVIS, LYNN &  
MOOTS, P.C.  
Certified Public  
Accountants

LARRY M. BROWN, CPA  
LAWRENCE W. DAVIS, CPA  
ANTHONY D. LYNN, CPA  
RANDALL G. MOOTS, CPA  
ANGELA M. PATRICK, CPA  
ANDREW A. MARMOUGET, CPA

3828 SOUTH AVENUE  
SPRINGFIELD, MO 65807  
(417) 882-0904  
FAX (417) 882-4343

www.dlmcpa.com  
e-mail: cpa@dlmcpa.com

## INDEPENDENT AUDITORS' REPORT

The Board of Trustees  
City of Springfield, Missouri  
Police Officers' and Fire Fighters' Retirement Fund  
Springfield, Missouri

We have audited the accompanying statement of plan net assets of the City of Springfield, Missouri (the City) Police Officers' and Fire Fighters' Retirement Fund (the Plan), a pension trust fund component unit of the City of Springfield, Missouri, as of June 30, 2008, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Plan as of June 30, 2008, and the changes in plan net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Board of Trustees  
City of Springfield, Missouri  
Police Officers' and Fire Fighters' Retirement Fund  
Springfield, Missouri

Management's Discussion and Analysis on pages 6 through 10 is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the method of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The schedules of funding progress, employer contributions, and actuarial valuation on pages 22, 23, and 24 are presented for additional analysis and are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the schedules. However, we did not audit the information, and express no opinion on it.

*Davis, Lynn & Moots, P.C.*

DAVIS, LYNN & MOOTS, P.C.  
September 26, 2008

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

We are pleased to present a narrative overview and analysis of the financial activities of the City of Springfield Police Officers' and Firefighters' Retirement System for the fiscal year ending June 30, 2008. We believe this information, in conjunction with the financial statements and the notes to the financial statements provides the reader with a clear assessment of the Plan's overall financial status.

### FINANCIAL HIGHLIGHTS

- Plan net assets, which represent funds available to pay current and future benefits were \$128.1 million as of the end of the fiscal year. This is a decrease of \$10.8 million, or 8.0% from the prior year.
- Total Additions to Plan Net Assets, as reflected in the Statement of Changes in Plan Net Assets are \$5.3 million. This is a decrease of \$ 19.3 million from 2007. This decrease is primarily a result of a decrease in net investment income of \$20.8 million and an increase in employer contributions of \$1.4 million.
- Total deductions to Net Assets totaled \$16.2 million, an 8.7% increase over last year. Retirement benefit payments totaled \$14.2 million and refunds of employee contributions totaled \$1.8 million.
- During the fiscal year the return on investments was a negative 4.8%, on a market value basis, net of fees.
- As of June 30, 2008 the funded status of the plan (the ratio of plan assets to plan liabilities) was 48%.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to help the reader understand the purpose of the key components within the financial statements of the City of Springfield Police Officers' and Firefighters' Retirement System. The financial statements are comprised of the following:

*The Statement of Plan Net Assets* presents assets and liabilities by major categories as of the end of the fiscal year. The difference between assets and liabilities is the net assets held in trust for pension payments. Over time, increases or decreases in net assets can be monitored to determine whether the Plan's financial condition is improving or deteriorating.

*The Statement of Changes to Plan Net Assets* provides information on the increases and decreases that caused the change in net assets during the fiscal year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

*The Notes to the Basic Financial Statements* are an integral part of the financial statements. The notes provide important detailed and background information that is essential to the full understanding of the data provided in the financial statements.

*Required Supplementary Information* contains information and supporting schedules pertaining to the Plan's actuarial methods and assumptions including data on the funded status of the plan. The Schedule of Funding Progress includes historical trend information about the actuarially funded status of the Plan, and the progress made in accumulation of sufficient assets to pay benefits when due. The Schedule of Employer Contributions provides historical information about the annual required contributions of the City of Springfield. Both of these schedules help promote understanding of the changes in the funded status of the plan over time.

### FINANCIAL ANALYSIS

#### *PLAN NET ASSETS*

Table 1 is the condensed comparative Statement of Plan Net Assets for the fiscal years ended June 30, 2008 and June 30, 2007.

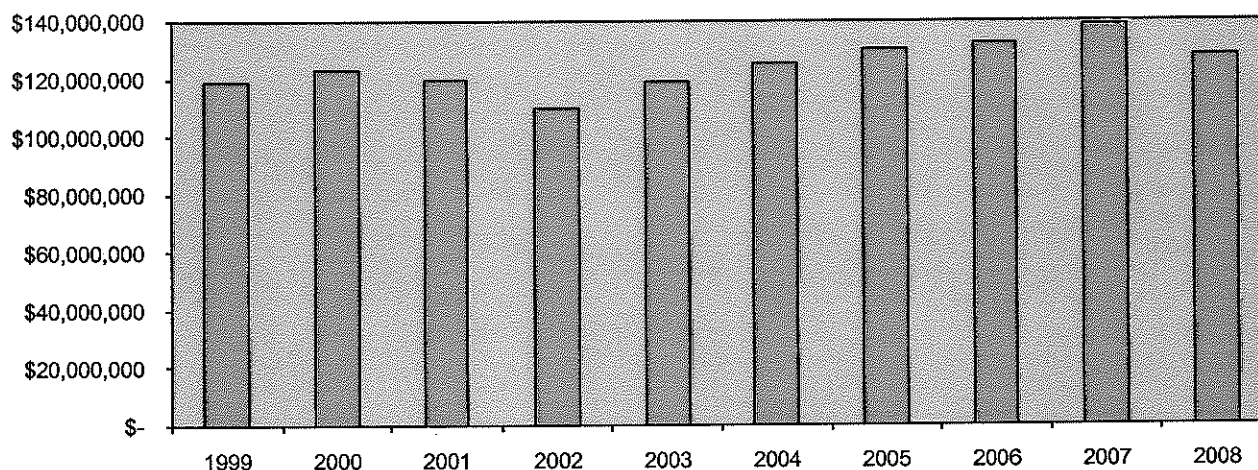
**TABLE 1 – NET ASSETS**

	<u>6/30/2008</u>	<u>6/30/2007</u>	<u>Increase/ (Decrease)</u>
ASSETS			
Cash and interest bearing deposits	\$ 2,570,824	\$ 226,015	\$ 2,344,809
Investments	125,310,626	138,380,542	(13,069,916)
Other assets	216,061	308,676	(92,615)
TOTAL ASSETS	128,097,511	138,915,233	(10,817,722)
LIABILITIES			
Accounts payable and other liabilities	12,369	3,270	9,099
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 128,085,142</u>	<u>\$ 138,911,963</u>	<u>\$ (10,826,821)</u>

Plan net assets decreased \$10.8 million or 7.8% over the prior fiscal year. The decrease is primarily a result of a decrease in the market value of assets.

# MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

## NET ASSETS HELD IN TRUST FOR PENSION BENEFITS



## ADDITIONS TO PLAN NET ASSETS

Table 2 is the condensed comparative Statement of Changes in Plan Net Assets for the fiscal years ending June 30, 2008 and June 30, 2007.

**TABLE 2 – CHANGES IN PLAN NET ASSETS**

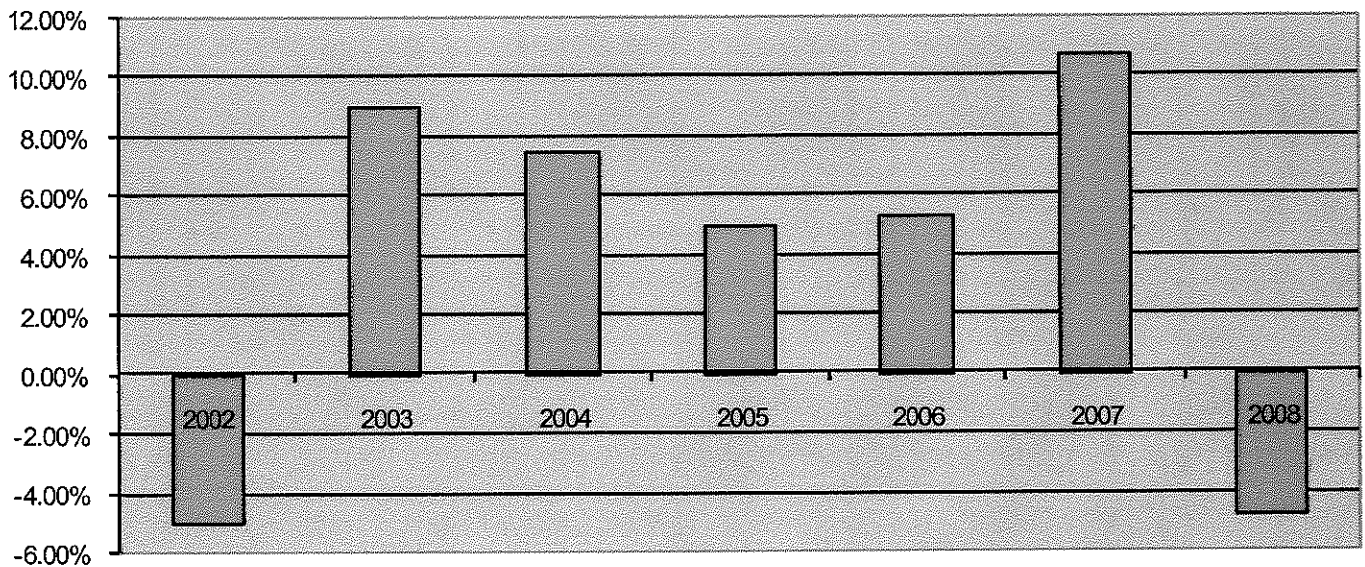
	6/30/2008	6/30/2007	Increase/ (Decrease)
<b>ADDITIONS</b>			
Employer Contributions	\$ 8,794,259	\$ 7,388,016	\$ 1,406,243
Member Contributions	2,964,383	2,888,469	75,914
Net Investment Income (Loss)	(6,415,598)	14,395,158	(20,810,756)
<b>TOTAL ADDITIONS</b>	<b>5,343,044</b>	<b>24,671,643</b>	<b>(19,328,599)</b>
<b>DEDUCTIONS</b>			
Benefit Payments	14,195,490	13,255,004	940,486
Pension Refunds	1,823,839	1,447,441	376,398
Administrative Expenses	150,536	150,613	(77)
<b>TOTAL DEDUCTIONS</b>	<b>16,169,865</b>	<b>14,853,058</b>	<b>1,316,807</b>
<b>INCREASE (DECREASE) IN NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	<b>\$ (10,826,821)</b>	<b>\$ 9,818,585</b>	<b>\$ (20,645,406)</b>



## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

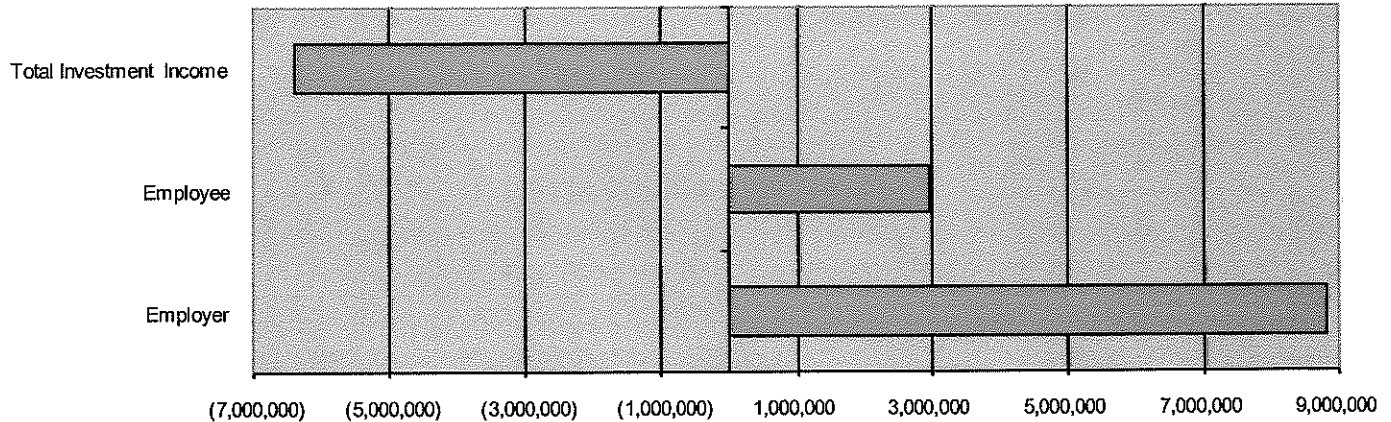
For the fiscal year ending June 30, 2008 contributions to the Plan net assets were \$11.8 million. This is an increase of \$1.5 million from the prior year. The increase is a result of employer contributions increasing \$1.4 million. The return on investments, net of fees, was a negative 4.8% compared to 10.7% and 5.31% in 2007 and 2006 respectively.

### NET INVESTMENT RETURNS



## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

### ADDITIONS TO PLAN NET ASSETS



### DEDUCTIONS TO NET PLAN ASSETS

Deductions to net plan assets were \$16.2 million. This is an increase of \$1.3 million over the prior fiscal year. Pension benefits increased \$940,486 as members received a 3% cost of living adjustment on July 1, 2007. Administrative expenses decreased \$77 while pension contribution refunds increased \$376,398.

### Requests for Additional Information

This financial report is designed to provide a general overview of the City of Springfield Police Officers' and Firefighters' Retirement System to all parties with an interest, and to demonstrate accountability to the community. Questions regarding any information provided in this report or requests for additional financial information should be directed to Director of Finance, City of Springfield Finance Department, 840 Boonville Avenue, Springfield, Missouri 65802.

*Mary Mannix Decker*

Mary Mannix Decker  
Director of Finance

## **FINANCIAL INFORMATION**

CITY OF SPRINGFIELD, MISSOURI  
 POLICE OFFICERS' AND FIRE FIGHTERS' RETIREMENT FUND  
 STATEMENT OF PLAN NET ASSETS  
 June 30, 2008

ASSETS

Investments

Debt securities	\$ 32,009,845
Equity securities	85,402,830
Government securities	<u>7,897,951</u>

TOTAL INVESTMENTS 125,310,626

Cash and interest-bearing deposits	2,570,824
Accrued interest	<u>216,061</u>

TOTAL ASSETS 128,097,511

LIABILITIES

Accounts payable and other liabilities	<u>12,369</u>
--	---------------

NET ASSETS \$ 128,085,142

See accompanying notes.

CITY OF SPRINGFIELD, MISSOURI  
POLICE OFFICERS' AND FIRE FIGHTERS' RETIREMENT FUND  
STATEMENT OF CHANGES IN PLAN NET ASSETS  
Year Ended June 30, 2008

ADDITIONS

Employer contributions - plan 1	\$ 8,264,640
Employer contributions - plan 2	529,619
Member contributions - plan 1	2,809,482
Member contributions - plan 2	<u>154,901</u>

TOTAL CONTRIBUTIONS 11,758,642

Net investment income:

Net depreciation of investments	(7,502,994)
Interest and dividend income	1,794,926
Investment expenses	<u>(707,530)</u>

TOTAL INVESTMENT (LOSS) (6,415,598)

TOTAL ADDITIONS 5,343,044

DEDUCTIONS

Benefit payments	14,195,490
Pension refunds	1,823,839
Administrative expenses	<u>150,536</u>

TOTAL DEDUCTIONS 16,169,865 ✓

DECREASE IN NET ASSETS (10,826,821)

NET ASSETS HELD IN TRUST

FOR PENSION BENEFITS, July 1, 2007 138,911,963

NET ASSET HELD IN TRUST

FOR PENSION BENEFITS, June 30, 2008 \$ 128,085,142

See accompanying notes.

CITY OF SPRINGFIELD, MISSOURI  
POLICE OFFICERS' AND FIRE FIGHTERS' RETIREMENT FUND  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting. Plan participant contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable under terms of the Plan.

Method Used to Value Investments

Investments are recorded at fair value, based on quoted market prices at the valuation date. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. There were no individual investments in excess of 5% of net assets as of June 30, 2008.

Net Investment Income

Security transactions are accounted for on the date the securities are purchased or sold. Dividend income is recorded on the ex-dividend date. Income from other investments is recorded as earned on an accrual basis.

Risks and Uncertainties

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE B – CASH AND INVESTMENTS

The Trustees will recommend the appropriate assets types to City Council for their approval. The Board of Trustees may add, delete or change asset classes within those asset types at their discretion at any time within the parameters established by the City Council. In selecting asset classes, the Trustees will choose asset classes reasonably designed to further the purposes of the Plan, taking into account the risk of loss and opportunity for gain associated with the asset classes, the composition of the available asset classes with regard to the Plan's opportunity to meet its objectives without exceeding the risk tolerance permitted and still achieving diversification of the Plan's investment portfolio. Also, the Trustees will take into account the liquidity, current, and projected return with respect to the asset classes, relative to the objectives of the Plan.

CITY OF SPRINGFIELD, MISSOURI  
 POLICE OFFICERS' AND FIRE FIGHTERS' RETIREMENT FUND  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2008

NOTE B – CASH AND INVESTMENTS (continued)

The asset classes, target asset allocation and ranges to be used in the Plan are shown below. The Trustees may change the asset classes and target at any time within the parameters established by the City Council. All percentages are based on market values. The portfolios will be rebalanced any time they are not within the appropriate ranges. Each investment manager may hold cash under the guidelines set out below, but that cash shall be considered invested in the asset class assigned. The asset classes and targets established are as follows:

<u>Asset Type and Class</u>	<u>Range</u>	<u>Target</u>
Equities:	45% - 75%	
Large Cap		30.00%
Small Cap		10.00%
International Equities		15.00%
Emerging Markets		5.00%
Fixed Income:	25% - 40%	
Domestic		21.75%
International		10.75%
Alternatives:	0% - 15%	
Real Estate		7.50%
Hedge Funds		0.00%
Commodities		0.00%

At June 30, 2008, the bank balances of the Plan's deposits totaled \$2,570,824. Of this amount \$200,000 was covered by FDIC insurance and \$2,370,824 was supported by collateral, held by banks in the Plan's name that do not hold the collateralized deposits.

The Plan's investment policies are governed by the City Charter and management policies. The Plan purchases investments from SEC-registered broker-dealers and banks. Plan investments also include investments in external investment pools and mutual funds that cannot be categorized because the entity is not issued securities but rather is a registered shareholder.

The Plan's investments at June 30, 2008 mature as follows:

CITY OF SPRINGFIELD, MISSOURI  
 POLICE OFFICERS' AND FIRE FIGHTERS' RETIREMENT FUND  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2008

NOTE B – CASH AND INVESTMENTS (continued)

Investment Type	Fair Value	Investment Maturities			
		1 Year	Less Than 5 Years	10 Years	More Than 10 Years
U.S. Treasury Obligations	\$ 7,289,615	\$ -	\$ 682,910	\$ 710,251	\$ 5,896,454
Domestic:					
Corporate Debt Obligations	15,601,661	717,913	3,899,952	5,094,637	5,889,159
Municipal Debt Obligations	608,336	-	113,961	391,043	103,332
Foreign:					
Corporate Debt Obligations	150,717	-	-	150,717	-
Index Funds:					
US Total Market Index SL Fund	46,098,980	46,098,980	-	-	-
Prudential - PRISA	12,317,651	12,317,651	-	-	-
Pictet International Equity Fund	26,986,199	26,986,199	-	-	-
Brandywine International	16,257,467	16,257,467	-	-	-
<b>TOTAL</b>	<b>\$ 125,310,626</b>	<b>\$ 102,378,210</b>	<b>\$ 4,696,823</b>	<b>\$ 6,346,648</b>	<b>\$ 11,888,945</b>

**Interest Rate Risk:** As a means of limiting its exposure to interest rate risk, the Plan diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer. The Plan coordinates its investment maturities to closely match cash flow needs.

**Credit Risk:** The Plan policy limits investments to those authorized by State statutes for purchase by life insurance or casualty companies in the state so that no more than two percent of the admitted assets of the system may be invested in the common stock of any one corporation. The Plan also limits the amount available for investment in small capital stocks.

Investment Type	Rating	Percentage
Domestic:		
Corporate Debt Obligations	BBB or higher	13%
Municipal Debt Obligations	AA or higher	1%
Foreign:		
Corporate Debt Obligations	BBB or higher	0%
Index Funds:		
US Total Market Index SL Fund	N/A	39%
Prudential - PRISA	N/A	10%
Pictet International Equity Fund		23%
Brandywine	BBB or higher	14%



CITY OF SPRINGFIELD, MISSOURI  
POLICE OFFICERS' AND FIRE FIGHTERS' RETIREMENT FUND  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

NOTE B – CASH AND INVESTMENTS (continued)

All investments shown in the preceding schedule have a rating as shown or higher for each given category. The Plan avoids a concentration of credit risk by diversifying its investments by security type and institution. In addition, as of June 30, 2008 the Plan had not invested over five percent of its assets in any one entity.

NOTE C – PLAN DESCRIPTION AND PROVISIONS

The City of Springfield, Missouri's police officers and fire fighters become participants in the Police Officers' and Fire Fighters' Retirement Fund, a single-employer, defined benefit pension plan, as a condition of their employment. Operations of the Plan are governed by City ordinance and are administered by the Plan's Board of Trustees. The Board of Trustees consists of a member of the City Council designated by the Mayor to act as a liaison, two current members of the police department, two current members of the fire department, the Director of Finance, the Director of Human Resources, a designee of the City Manager, one former employee who is currently receiving benefits from the system, and three citizens recommended by the City Manager and approved by the City Council. The Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974. The Plan is considered part of the City financial reporting entity and is included in the City's basic financial statements as a pension trust fund.

Membership in the Plan as of June 30, 2008 is comprised of the following:

Retirees and beneficiaries currently receiving benefits and terminated vested members	470
Active members:	
Fully vested	397
Nonvested	108
TOTAL ACTIVE MEMBERS	505

The following description of the Plan provides only general information. The Plan was amended effective June 1, 2006. This amendment establishes changes that will affect Plan participants joining after June 1, 2006. Participants should refer to the plan document and the pamphlet, *City of Springfield Police Officers' and Fire Fighters' Retirement Fund Summary Plan Description*, for a more complete description of the Plan's provisions. Copies of the pamphlet are available from the City's Finance Department.

CITY OF SPRINGFIELD, MISSOURI  
POLICE OFFICERS' AND FIRE FIGHTERS' RETIREMENT FUND  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

NOTE C – PLAN DESCRIPTION AND PROVISIONS (continued)

Retirement Benefits

Participants become vested in the Plan after five years of service. Participants are entitled to retirement benefits after 25 years of service, at age 50 after 20 years of service, or at age 60. Participants with at least 5 years of service may elect to receive early retirement at reduced benefits at age 55. Normal retirement benefits are 2.8% of the average of a participant's highest 3 years of salary within the last 10 years for each year of credited service, limited to 70% of average annual salary.

Disability Benefits

Non-duty disability benefits are available to participants having at least three years of service who become totally and permanently disabled from non-duty causes. These benefits are  $1\frac{3}{4}\%$  of the participant's average salary if the participant retired prior to January 1, 2005 and  $\frac{7}{8}$  of the percentage multiplier rate for the normal service retirement benefit, including the additional  $\frac{3}{10}\%$  multiplier if the participant retires after June 30, 2004 for each year of service, subject to a minimum of 25% and a maximum of 50%.

With respect to any participant commencing employment on or after January 1, 2005, and having at least five years of service who becomes totally and permanently disabled from non-duty causes shall be entitled to a non-duty disability pension. This pension shall be payable during the lifetime of the participant, provided the disability continues. The pension for participants commencing employment on or after January 1, 2005, shall be equal to seven-eighths ( $\frac{7}{8}$ ) of the percentage multiplier rate for the normal service retirement benefit in effect at the time of the granting of the non-duty disability pension, including the additional three-tenths percent (0.3%) multiplier amount referenced in Section 2-455(d), times the average salary for each year of service, subject to a minimum benefit of twenty-five percent (25%) of average salary and a maximum benefit of fifty percent (50%) of average salary.

With respect to any participant commencing employment on or after June 1, 2006, said participant's entitlement to a non-duty disability pension shall be the same except that the pension benefit for such participant shall be equal to seven-eighths ( $\frac{7}{8}$ ) of the percentage multiplier rate for the normal service retirement benefit for such a participant in effect at the time of the granting of the non-duty disability pension, times the average salary, for each year of service, subject to a minimum benefit of twenty-five percent (25%) of average salary and a maximum benefit of fifty percent (50%) of average salary.

Duty disability benefits are available to participants, irrespective of the length of service, who become disabled as a direct result of occupational duties. Duty disability benefits are  $66\frac{2}{3}\%$  of the participant's salary in effect at the date of the disability, with an offset for any amounts payable under worker's compensation.

CITY OF SPRINGFIELD, MISSOURI  
POLICE OFFICERS' AND FIRE FIGHTERS' RETIREMENT FUND  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

NOTE C – PLAN DESCRIPTION AND PROVISIONS (continued)

Survivor's Benefits

A pension equal to 50% of the participant's average salary in effect at the date of death is payable to the surviving spouse until the spouse remarries if death occurs as a direct result of an act of duty. A pension of 10% of the participant's salary is payable to each surviving child under the age of 18, subject to a maximum payment to a surviving spouse and children of 75% of the participant's salary, with an offset for any amounts payable under workers' compensation. Survivor's pensions for non-duty connected deaths are 25% of average salary plus 1 and 1/8% of average salary for each year of service, provided the participant had at least five years of service, subject to a maximum of 50% of average salary paid to the surviving spouse. 10% of the participant's salary is payable to each surviving child under the age of 18, subject to a maximum payment of 60% of the participant's salary to a surviving spouse and children for a non-duty death.

Termination

A participant who terminates employment with the City and is not eligible for benefits from the Plan is paid on demand and without interest, the participant's contributions into the Plan. If the participant has five years of service, the participant may remain vested and elect to receive benefits payable commencing at the participant's normal retirement date.

Annual Adjustments

Plan participants entering the Plan prior to June 1, 2006, will have pension benefits increased 3% each July over the amount paid in the preceding month of June, provided that the pension has been paid at least 12 months prior to the July change. For age and service retirement pensions, the 3% increase does not begin until the calendar year of the employee's 56<sup>th</sup> birthday. Surviving spouses and dependent children receiving benefits are also eligible for the increase.

Plan participants entering the Plan on or after June 1, 2006, will upon retirement be paid a pension based on a percentage multiplier of 2.5%, with increases for cost of living occurring subject to the provisions set out in Section 2-469 of the Plan document.

CITY OF SPRINGFIELD, MISSOURI  
POLICE OFFICERS' AND FIRE FIGHTERS' RETIREMENT FUND  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

NOTE D – EMPLOYER AND EMPLOYEE CONTRIBUTIONS

The City's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due.

Participants entering the Plan prior to June 1, 2006, were required to contribute 11.35% of their annual salary to the Plan for the year ended June 30, 2008. Participants entering the Plan on or after June 1, 2006, were required to contribute 8.5% of their annual salary to the Plan for the year ended June 30, 2007. The City may, at their discretion, contribute the remaining amounts necessary to fund the Plan using the entry age normal actuarial method as specified by ordinance.

During the year ended June 30, 2008, contributions totaling \$11,758,642 were made to the Plan. The employer's actual contribution of \$8,794,259 did not meet the annual required employer's contributions of \$12,347,207 as determined by the Plan's actuary, increasing the net pension obligation by \$3,724,694. The net pension obligation totaled \$10,225,065 with the current year's increase along with interest added and other actuarial adjustments. Employer contributions represented 35.61% and employee contributions represented 12.00% of covered payroll for the fiscal year. Administrative costs of the Plan are funded by investment income.

NOTE E – SUBSEQUENT EVENTS

Between June 30, 2008, and the report date, financial markets experienced steep and unexpected declines. These declines have resulted in the market value of plan assets decreasing and thus generating unrealized losses on various assets within the portfolios of each asset manager. The total estimated unrealized loss for the Plan at September 26, 2008, was \$10.6 million dollars.

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF SPRINGFIELD, MISSOURI  
 POLICE OFFICERS' AND FIRE FIGHTERS' RETIREMENT FUND  
 SCHEDULE OF FUNDING PROGRESS (IN THOUSANDS)  
 June 30, 2008

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(a/b) Funded Ratio	(b-a) Unfunded Accrued Liability (UAL)	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
6/30/99	\$ 116,425	\$ 150,253	77%	\$ 33,828	\$ 18,448	183%
6/30/00	124,462	155,782	80%	31,320	19,046	164%
6/30/01	129,480	168,345	77%	38,865	20,222	192%
6/30/02	129,854	179,126	72%	49,271	22,142	223%
6/30/03	129,849	195,975	66%	66,126	22,817	290%
6/30/04	130,419	238,755	55%	108,336	24,105	449%
6/30/05	130,496	250,850	52%	120,353	23,866	504%
6/30/06	133,494	263,814	51%	130,320	23,747	549%
6/30/07	138,891	277,862	50%	138,971	23,864	582%
6/30/08	140,780	295,580	48%	154,800	24,696	627%

CITY OF SPRINGFIELD, MISSOURI  
 POLICE OFFICERS' AND FIRE FIGHTERS' RETIREMENT FUND  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS (IN THOUSANDS)  
 June 30, 2008

<u>Year Ended June 30,</u>	<u>Annual Pension Cost</u>	<u>Actual Employer Contribution</u>	<u>Net Pension Obligation</u>
1999	\$ 3,945	\$ 3,945	\$ -
2000	4,050	4,050	-
2001	4,497	4,497	-
2002	4,494	4,494	-
2003	5,197	5,197	-
2004	5,892	5,892	-
2005	7,319	6,796	523
2006	9,851	6,831	3,020
2007	10,345	7,388	2,957
2008	12,519	8,794	3,725

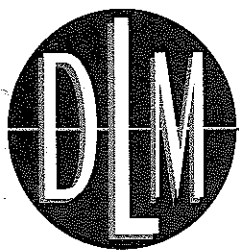
CITY OF SPRINGFIELD, MISSOURI  
POLICE OFFICERS' AND FIRE FIGHTERS' RETIREMENT FUND  
ACTUARIAL VALUATION  
June 30, 2008

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information from the prior year's actuarial valuation follows:

Valuation date	June 30, 2008
Actuarial cost method	Entry age
Amortization method	Level percent; closed
Remaining amortization period	30 years
Asset valuation method	Four-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases, depending on age, attributable to seniority/merit	7.5% per year, decreasing to 4.5% after six years for fire and eight years for police, then 3.0% after ten years for fire and twelve years for police.
Projected salary increases, attributable to inflation	3.0%
Increase in benefits per year after retirement	3.0%
	(0.0% for members hired after June 1, 2006)
Average salary at retirement	Increased by a factor of 1.03 for fire and for police, an individual adjustment based on operating holiday balance



## **OTHER FINANCIAL INFORMATION**



DAVIS, LYNN &  
MOOTS, P.C.  
Certified Public  
Accountants

LARRY M. BROWN, CPA  
LAWRENCE W. DAVIS, CPA  
ANTHONY D. LYNN, CPA  
RANDALL G. MOOTS, CPA  
ANGELA M. PATRICK, CPA  
ANDREW A. MARMOUGET, CPA

3828 SOUTH AVENUE  
SPRINGFIELD, MO 65807  
(417) 882-0904  
FAX (417) 882-4343

[www.dlmcpa.com](http://www.dlmcpa.com)  
e-mail: [cpa@dlmcpa.com](mailto:cpa@dlmcpa.com)

**INDEPENDENT AUDITORS' REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Trustees  
City of Springfield, Missouri  
Police Officers' and Fire Fighters' Retirement Fund  
Springfield, Missouri

We have audited the financial statements of City of Springfield, Missouri Police Officers' and Fire Fighters' Retirement Fund as of and for the year ended June 30, 2008, and have issued our report thereon dated September 26, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered City of Springfield, Missouri Police Officers' and Fire Fighters' Retirement Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

The Board of Trustees  
City of Springfield, Missouri  
Police Officers' and Fire Fighters' Retirement Fund  
Springfield, Missouri

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be significant deficiencies or material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Springfield, Missouri Police Officers' and Fire Fighters' Retirement Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a certain other matter that we have reported to management of City of Springfield, Missouri Police Officers' and Fire Fighters' Retirement Fund in a separate letter dated September 26, 2008.

This report is intended solely for the information and use of the Board of Trustees and management and is not intended to be and should not be used by anyone other than these specified parties.

*Davis, Lynn & Moots, P.C.*

DAVIS, LYNN & MOOTS, P.C.  
September 26, 2008